

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION  
BUREAU OF INSURANCE

IN RE:	)	
	)	DIRIGO HEALTH'S
REVIEW OF AGGREGATE	)	RESPONSES TO QUESTIONS
MEASURABLE COST SAVINGS	)	POSED BY THE
DETERMINED BY DIRIGO HEALTH	)	SUPERINTENDENT
FOR THE SECOND ASSESSMENT	)	AT HEARING
YEAR	)	
	)	July 14, 2006

Docket No. INS-06-900

Question	Record Cites	Response
<p><i>To Dirigo:</i></p> <p>Is there any evidence in the record that contradicts the assertion that under MaineCare, Maine non-Critical Access Hospitals are paid based on their costs for outpatient services?</p>	<ul style="list-style-type: none"> <li>• Page 4672 &amp; 4678 (Emergency rule regarding fee changes 7/03 – updated in Section 45.03(B) of the MaineCare Benefit Manual)</li> <li>• Page 4054 – worksheet from State measuring acute care and non-Critical Access hospitals.</li> </ul>	<p>No, MaineCare reimbursement for outpatient services is reconciled to cost after approximately 36 months.</p>

Question	Record Cites	Response
<p><i>To Dirigo:</i> In the spreadsheet produced by Mercer to compute savings related to expense/CMAD (AR 1112-1159), the row labeled “Hospital Tax Allocation” in the top section of the tables contains hospital fiscal year values for hospital fiscal years 2000-2005. In the lower section labeled “State Fiscal Year”, there is another row labeled “Hospital Tax Allocation” that contains state fiscal year weighted averages of the component hospital fiscal year’s Hospital Tax Allocation amounts for SFYs 2000-2004. For SFY2005, the amounts in this row do not appear to be calculated using the same weighted formula, and are not reconcilable in any obvious way to the Hospital Tax Allocation row in the first section of the worksheet. Is there any evidence in the record that explains the source of the data in row labeled “Hospital Tax Allocation” in the State Fiscal Year section of the worksheets for the SFY2005 period?</p>	<ul style="list-style-type: none"> <li>• Page 4054 (worksheet from State, sent to Mercer for SFY tax information).</li> <li>• Page 3200 (email between Mercer staff regarding tax information received from State).</li> <li>• Page 3300 (call notes from Mercer).</li> </ul>	<p>The 2005 information did not need to be adjusted, it was sent to Mercer on a SFY basis.</p>
<p><i>To The Chamber:</i> Is there any evidence in the record that contains measures of MaineCare as a percentage of total costs and/or revenue by hospital, and similarly the proportion of MaineCare costs and/or revenue in outpatient hospital activity by hospital?</p>		<p>After review of the record, we are unable to find any evidence of MaineCare costs and/or revenue, and similarly the proportion of MaineCare costs and/or revenue in outpatient hospital activity by hospital.</p>

Question	Record Cites	Response
<p><i>To Dirigo:</i> Is there any evidence in the record that would call into question the notion that the savings measure related to Cost/CMAD captures all costs related to capital spending initiatives (including costs of the type addressed in the savings measure related to CON approvals) in the year those costs are incurred by the hospital?</p>	<ul style="list-style-type: none"> <li>• Page 4314 (Steven Michaud's May 5, 2006 prefiled testimony)</li> <li>• Page 5047 (Testimony of Steven Patrick Schramm, May 10, 2006, page 297, lines 6 to 16)</li> </ul>	<p>No, CMAD captures all costs related to capital spending initiatives in the year those costs are incurred by the hospital.</p>
<p><i>To Dirigo:</i> Is there any evidence in the record that CON savings could be realized by payors in a year (e.g., 2005) before the expenses (and any associated expense savings) are actually realized by the hospitals and thus captured in the CMAD calculation (e.g., those realized in 2006)?</p>	<ul style="list-style-type: none"> <li>• Page 4314 (Steven Michaud's May 5, 2006 prefiled testimony)</li> <li>• Page 5136 (Testimony of Steven Patrick Schramm, May 10, 2006, page 25, lines 5 to 20)</li> </ul>	<p>No, these CON costs would be captured in the CMAD in the year that they are incurred.</p>

Question	Record Cites	Response
<p><i>To First Payor:</i></p> <p>In appendix H, item 1 of the SOP Calculations, it is asserted that there are increases in PIP payments in the state budget of \$37,954,000 (SFY 2006 vs. SFY 2005) and \$58,246,000 (SFY 2007 vs. SFY 2005). Dirigo asserts that these increases are due to Dirigo initiatives. Is there any evidence in the record providing an alternate explanation for these increases other than what has been asserted by Dirigo?</p>	<ul style="list-style-type: none"> <li>• Page 3891, 3904, 3949-3950 (Hospital Study Commission Report, Key Recommendations #6 and #7)</li> <li>• Page 286 and 1253 (Rebecca Wyke's March 22, 2006 pre-filed testimony).</li> <li>• Page 5007 (Testimony of Rebecca Wyke, May 8, 2006, page 139, lines 19-25, page 140, lines 1-9)</li> <li>• Page 4618 (Superintendent's Decision dated October 29, 2005)</li> <li>• Page 248 and 1282 (Geoff Green's March 22, 2006 pre-filed testimony).</li> <li>• Pages 815-817 (Mercer's September 19, 2005 report).</li> </ul>	<p>Increases in PIP payments are due to recommendations of the Hospital Study Commission, one of the Dirigo initiatives created by the Dirigo Health Reform Act.</p>

Question	Record Cites	Response
<p><i>To Dirigo:</i> Is there any evidence in the record about the development of the .497 factor for the impact of discounted charges? Or is there any discussion in the record about these issues?</p>	<ul style="list-style-type: none"> <li>• See page 222 of the record for source of the factor (Mercer's March, 2006 report).</li> <li>• See pages 1465-2921 for Medicare Cost Reports.</li> <li>• See pages 4977-4978 (Testimony of F. Kevin Russell, May 8, 2006, page 20, lines 22-25 and page 21, lines 1-7).</li> </ul>	<p>In Mercer's May report, Appendix E (page 1095 of the record), a reference is made to "Exhibit C" (in row D) which is referencing the Worksheet Cs of the 2004 Medicare Cost Reports for all of the hospitals, where the charge to cost ratio is calculated by summing costs from the worksheet Cs [line 103, column 5 (or 3 if 5 was blank)] and dividing by the sum of charges from worksheet Cs [line 103, column 8].</p>
<p><i>To Dirigo:</i> Appendix E of the SOP Calculations asserts that there were 132,000 uninsured Mainers in 2004 and refers to 2004 Census Data for backup. Is there any evidence in the record to demonstrate why this number changed from 136,000 used in Year 1 for the same period? Please provide more detail on what is meant by "2004 Census Data" and citations to the source documents in the record?</p>	<ul style="list-style-type: none"> <li>• Page 4977 (Testimony of F. Kevin Russell, May 8, 2006, page 19, lines 22-25)</li> <li>• Page 809 and 858-915 (Mercer's September 19, 2005 report and appendix).</li> <li>• Page 3191 (email from Muskie to Mercer)</li> </ul>	<p>The 132,000 count of uninsured persons and the "2004 Census Data" reference in Appendix E of Mercer's report (page 1095 of the record) is taken from the 2004 CPS (Current Population Survey – US Census Bureau, Housing and Household Economics Statistics Division) whereas the 136,000 count of uninsured persons used last year is from the 2002 Muskie Household Survey.</p>

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<p><i>To Dirigo:</i> There are several references in the record to the “2006 DirigoChoice Member Survey”. Example: Appendix E of SOP Calculations. Where is this document in the record?</p>	<ul style="list-style-type: none"> <li>• Page 1097 &amp; 1456 of the record (Appendix E, 3rd page of the Mercer report).</li> <li>• See also pages 4978 (Testimony of F. Kevin Russell, May 8, 2006, page 22, lines 18-25).</li> </ul>	<p>In 2006, Dirigo did not publish a report of survey findings; this information is collected from questions on the DirigoChoice member application.</p>
<p><i>To Dirigo:</i> In year 1, Dirigo used a factor of 1.362 to estimate the increased risk of the earliest enrollees. This same factor of 1.362 from year 1 was carried forward into Year 2 even though the additional enrollments are not the earliest enrollees. What evidence in the record supports leaving this number the same in Year 2 as in Year 1?</p>	<ul style="list-style-type: none"> <li>• See page 1097 and 1456 of the record, column labeled “Portion of Population Enrolled” (Appendix E, 3rd page of the Mercer report)</li> <li>• Page 3343 (Wyatt letter to DHA regarding this type of adjustment).</li> <li>• Pages 4978 (Testimony of F. Kevin Russell, May 8, 2006, page 23, lines 4-13).</li> <li>• Page 4979 (Testimony of F. Kevin Russell, May 8, 2006, page 25, lines 11-22).</li> <li>• Pages 4980 (Testimony of F. Kevin Russell, May 8, 2006, page 30, lines 5 - 25, page 31, lines 1- 4).</li> </ul>	<p>The 1.362 factor was designed to be applied for the first 7,920 uninsured persons (6% of the 132,000 statewide) who would enroll in Dirigo, so with the actual count of previously uninsured persons equaling 4,023 (39% of the 10,315 Dirigo enrollees) and being under the 6%, the factor stays the same for Year 2.</p>

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<p><i>To Dirigo:</i> At page 12 of Dirigo's brief it is asserted that Mercer used a methodology for this initiative that was approved by the Superintendent's year one Decision. Please provide a citation to that Decision that supports Mercer adjusting the methodology from a charge to a cost basis.</p>	<ul style="list-style-type: none"> <li>• Page 202 of the record for reference to Superintendent's Decision of October, 2005 (also page 4614 of the record).</li> <li>• Page 253-254 (F. Kevin Russell's March 2006 pre-filed testimony).</li> <li>• Page 1249 (F. Kevin Russell's May 2006 prefled testimony).</li> <li>• Page 4614 (Superintendent's Decision, October 29, 2005).</li> </ul>	<p>The Superintendent in his Year 1 decision suggested a discount of charges and Mercer was being conservative in applying a charge to cost ratio, which reduces savings.</p>
<p><i>To Dirigo:</i> Is there any evidence in the record to support Dirigo's determination that the measurement period of 18 months for savings attributed to Maine Care expansion is the proper measurement period?</p>	<ul style="list-style-type: none"> <li>• Page 4979 (Testimony of F. Kevin Russell, May 8, 2006, page 26, lines 8-23).</li> <li>• Page 1085, Mercer's May report (page 8) also indicates the 18 month time period.</li> </ul>	<p>Since the Superintendent did not approve any savings for these initiatives last year, 18 months was included (using a different methodology) to capture savings.</p>

Question	Record Cites	Response
<p><i>To Dirigo:</i>  Justyn Rutter's e-mail of 2/27/2006 to Kevin Russell and Michelle Raleigh (all 3 are Mercer staff) concludes that public expansion will crowd-out private insurance; i.e. the private woodwork effect is negative savings. Handwritten notes of Mercer conference reiterate that conclusion. How is it reasonably supported by evidence in the record for the determination made by the Dirigo Board to not factor in private woodwork effect negative savings? <i>See</i> pages 3718-3722 of the record.</p>	<ul style="list-style-type: none"> <li>• Pages 219 and 220 (Mercer's March, 2006 report).</li> <li>• Pages 251-252 (F. Kevin Russell's March 22, 2006 prefiled testimony).</li> <li>• Page 267 (Steven P. Schramm's March 22, 2006 prefiled testimony).</li> <li>• Page 1247 (F. Kevin Russell's May 1, 2006 prefiled testimony).</li> <li>• Page 1262 (Steven P. Schramm's May 1, 2006 prefiled testimony).</li> <li>• Pages 3264 and 3718, last paragraph</li> </ul>	<p>The private woodwork effect was not quantified due to insufficient data available and that the crowd out effect, if any, is likely to be reduced since less people are likely to drop private coverage to move to another program where there is a premium.</p>

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